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SUBJECT: 2007 INVESTMENT CLIMATE STATEMENT FOR TAJIKISTAN

REF: STATE 06 178303

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¶1. (U) Following is our submission per the referenced telegram for the 2007 Investment Climate Statement for Tajikistan.

BEGIN TEXT

2006 INVESTMENT CLIMATE STATEMENT -- TAJIKISTAN

Tajikistan presents selected opportunities for savvy investors who are willing to put in significant research and effort into market development activities. Tajikistan lagged behind other Soviet republics economically and remains the poorest of the former Soviet republics and one of the poorest countries in the world. The Tajik government has shown interest in attracting foreign investment but seems unsure of how to implement much needed economic reforms, including the incorporation of the country's considerable gray economy and sizeable remittances. The Tajik government has committed to addressing Tajikistan's internal and external isolation, but progress is slow. In addition, corruption and rent-seeking in Tajikistan is still high. Until Tajikistan addresses internal infrastructure impediments to investment, the system will not attract or support significant growth in Foreign Direct Investment.

Openness to Foreign Investment

Although the Government of Tajikistan is hungry for foreign investments, through 2004 it was only able to attract on average \$27 million per annum. President Rahmonov has made numerous public and private statements, calling for foreign investment, particularly in the hydropower sector. However, his administration has yet to fully implement key reforms and regulations to create an attractive business climate. The Tajik Government still burdens the private sector with unnecessary costs and creates substantial uncertainty and risk through non-transparent practices and unjustified barriers to

competition.

Major opportunities for investment exist in the hydropower, food processing, construction, and consumer goods sectors.

To accelerate flow of foreign investments the Government of Tajikistan adopted a Law on Foreign Investments in 1992. Although this law establishes the general investment conditions, it has many gaps and contradicts other legislative acts.

According to existing legislation, foreign investments can be made through acquisitions, mergers, and takeovers by:

- Owning a share in existing companies, either jointly with other Tajik companies or Tajik citizens;
- Creating fully foreign-owned companies under the laws of Tajikistan;
- Acquiring assets, including shares and other securities;
- Acquiring the right for use of land and other mineral resources, as well as exercising other property rights either independently or in shared with other Tajik companies and citizens of Tajikistan;
- Concluding agreements with legal entities and citizens of Tajikistan providing for other forms of foreign investment activity;

The judicial system recognizes sanctity of contracts; however contract enforcement is poor, due in part to general inadequate legal awareness and a non-independent court system. While Tajikistan is party to a number of arbitration agreements and conventions, it does not have its own internationally recognized arbitration system. The courts do not always respect or uphold international arbitration rulings.

The Tajik Government's Economic Development Strategy for 2005-2015 emphasizes economic and industrial growth. The Strategy has no discriminatory effects on foreign-owned

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investors. According to the Civil Code (Article 1) there are no legal discriminations against foreign companies and foreign entities. Practically all international agreements of Tajikistan have a provision for most favored nations regime (climate).

Foreign investors can acquire up to 50-year land-use rights, although all land belongs to the state. There are no legal limitations for foreign investors to buy shares on the local stock exchange. The law on foreign investments guarantees foreign investors' right to buy shares on the local market, according to the procedures set forth by the Ministry of Finance. Foreign investors' activity on the stock exchange is regulated by the Law on Security and Exchanges which in turn refers to the Law on Foreign Investments. The foreign investments law has no articles that regulate professional activity of foreign investors on stock exchange.

In December 2006, the Government of Tajikistan created a new Committee on Investments and State Property. Top officials claim this will be dedicated to attracting foreign investment, but as of January 2007, no decisions regarding the committee's authority have been made.

There are no established criteria to screen investment proposals. Instead of working with delegated investment promotion agency, a potential investor has to go through a lengthy screening process by all concerned government agencies. In practice, a proposed statement of foreign investments forwarded to the Government of Tajikistan is circulated among the relevant government offices and ministries with instruction to review and express their formal no-objection statement. If a certain ministry of the government objects to the proposed investment activity statement it forwards an official note to the attention of the Government. The criteria for screening include a background check on the company, person(s) representing the company, and identification of a financial

source to comply with anti money-laundering regulations. Much of this could change when the investments committee is up and running.

In general, privatization of small and medium enterprises is complete. The privatization process began during the civil war (1992-1997) which limited potential international owners exposure and access to small and medium enterprises. Privatization of state property still continues, and although there are no limitations on foreign investor participation in privatization of state owned assets, in many circumstances the decisions are made in favor of selected interest groups through behind-the-scene arrangements. Some of the largest enterprises, belonging to Tajikistan's transportation, infrastructure and electricity distribution and maintenance sectors, are still government-owned but are planned for restructuring.

There is no discrimination against foreign investors at the time of the initial investment or after the investment is made. Current investment law and tax code provide for a number of incentives, including a waiver on taxation on initial investment, and Value Added Tax-free importation of industrial equipment. Companies may have a difficult time actually receiving these tax breaks, however, due to poor implementation of taxation regulations. Companies with foreign investments are treated equally as domestic companies in terms of access to and procedures for obtaining licenses, approvals and procurements.

There are no laws or regulations specifically authorizing private firms to adopt articles of incorporation or association which limit or prohibit foreign investment, participation, or control. Also, there are no other practices by private firms to restrict foreign investment, participation in, or control of domestic enterprises.

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The Tajik economy began its rapid growth at 8-10% per annum in 2000. Since then, regulation and taxation are still under reform. Economic indicators remain below the benchmarks of 1991, when Tajikistan gained its independence. The government has increased revenue collection for its social expenditures, although investments in health and education remain extremely low. In addition, non-transparent administration and corruption in tax agencies results in high-level informalities. The tax burden is placed on the private sector and companies who do actually comply, resulting in distorted competition.

Although bank deposits in 2006 increased by almost 60% on a year-to-year basis, the informal economy is still quite substantial. According to some estimates, it is approximately \$1 billion, one-third the size of official Gross Domestic Product.

Conversion and Transfer Policies

Currently Tajikistan does not actively restrict funds conversion or transfer, although the National Bank has been preparing a package of new regulations on this topic for two years. However, less developed and strictly controlled banking infrastructure with limited capital present obstacles for investors in terms of local sources of financing. Currency can be freely exchanged; however it is often difficult to conduct large currency transactions, due to limited amount of foreign currencies available in the domestic financial market. Investors are free to import currency. Starting in 2006, the minimum regulating capital for commercial banks was \$5 million. All banking institutions (9 commercial banks, and one branch of Iranian Tijorat bank) fulfilled this requirement.

Expropriation and Compensation

There are no recent cases of the government expropriating commercial property. The Law on Foreign Investments details the

types of actions that can be taken with regard to expropriation of property. The Law states that investors are to be compensated for expropriated property, but compensation levels are likely to be minimal. The sectors most likely to face expropriation are monopolies where the state controls almost all of the market.

Dispute Settlement

In official pronouncements, the Tajik government recognizes the value of the rule of law, but has not demonstrated a clear understanding of its importance to investors. The international community has encouraged Tajikistan to improve its legal system with mixed results. Many well-written laws have been passed, but implementation and consistent interpretation lag behind. The Tajik government does not openly publish laws and regulations, and few people, especially small business owners, are aware of their rights and responsibilities. Further compounding the problem is a weak judiciary that is ill equipped to defend the interests of investors.

In 2005-2006, one American company was involved in an investment dispute with a state-owned enterprise. In all hearings and appeals, the court system has ruled against the American company in favor of the state-owned company. The case is in the final stages of the appeals process in foreign arbitration. This is the first investment dispute concerning an American company, and does not reflect a trend, but in past years, investors from The Netherlands, Switzerland, Italy and Iran among other countries have been involved in legal disputes. A Norwegian company successfully settled a suit in foreign arbitration.

Tajikistan does have well-written commercial and bankruptcy laws including rights for foreign creditors and investors and bankruptcy legislation revised in 2005. The country's contract law is modeled on European law. These laws are regulated under the country's civil code; however, they are not always enforced in the court system.

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Tajikistan is just starting to develop an Institute of International Arbitration. It has signed bilateral agreements with several countries on arbitration and investment disputes. However, these agreements are not always enforced or recognized.

Tajikistan does not have a bilateral agreement with the United States.

In 1993 Tajikistan became a member of the International Association on Investment Guarantees as well as the International Center for the Settlement of Investment Disputes (Washington Convention). Tajikistan is not a party to the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards.

Performance Requirements/Incentives

Joint stock companies with foreign investments receive significant tax incentives that are not offered to private companies with domestic investments. The government does not formally impose performance requirements as a condition for establishing, maintaining, or expanding investment. There are few requirements for locally owned shares or reduced foreign sales over time. While there is no requirement to "buy locally," it is encouraged. Under the Law on Foreign Investment, not less than 70% of employees in foreign-owned enterprises must be local employees.

The government does not impose geographic restrictions or conditions, but the topography and poor infrastructure of the country pose their own de facto restrictions. Transportation is difficult. Roads within Dushanbe and Khujand are substandard even by regional standards, and roads outside of major population centers are generally unpaved and poorly maintained. Weather also impacts travel, making overland travel to parts of the country (e.g., Gorno Badakshan and Khujand via Anzob Pass) impossible for much of the year. Overland import/export requires patience and ingenuity as customs agents at borders and at internal checkpoints frequently operate on the principle that they constitute an assumed cost of doing business.

Right to Private Ownership and Establishment

The government wants to encourage business development but faces major obstacles in doing so, including its own practices. On the one hand, private entities may establish and own businesses and engage in almost all forms of remunerative activity. Foreign entities may establish, acquire, and dispose of interests in business enterprises. On the other hand, the old Soviet mentality still negatively impacts businesses. The average government inspector believes that certain activities are not permitted unless they are expressly allowed, and since laws are neither published nor uniformly applied and interpreted, businesspeople often find Tajikistan frustrating.

Tajikstandart is the government agency that handles certifications of goods and services, calibration and accreditation of testing laboratories, as well as supervises compliance with state standards requirements. Tajikstandart does not publish its fees for licenses and certificates, nor does it publish the requirements necessary to run a business. As a result, businesspeople are vulnerable to individual tax inspectors' interpretations of the requirements and the prices for them.

In addition, investors may need to work creatively to deal with unofficial barriers to success. Informal networks of clan-based, interrelated suppliers often exist, forcing would-be investors to "buy in" to the system. This hinders competition and sometimes constrains new investors from fully participating. The government faces a daunting task to improve the operating environment. Any restructuring must be implemented at each sub-governmental level for each area of reform (communication, expectations and patronage system, and so on). The Tajik government has begun reviewing these weaknesses and is making some improvements.

Protection of Property Rights

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Undeveloped legal avenues for dispute resolution create a weak environment for property rights protection in Tajikistan. All land belongs to the state, and there are significant restrictions on using property titles as collateral. The World Bank has been working for several years to develop a mortgage program in Tajikistan, it is expected that the draft of mortgage law will be completed in 2007.

Even when secured interests in property do exist, enforcement remains an issue. Investors should be aware that establishing title may be a more involved process than in western countries, as it is often unclear who owns title, making it more difficult to effectively transfer or acquire title. A system to record, protect and facilitate acquisition and disposition of property exists but would benefit from improvement. After many banks failed or nearly failed as a result of the high default rate on mortgages, they began a policy of taking upwards of 30% off the top in service fees, with interest rates for repayment ranging from 12-18%. Finally, the legal system is not adept at quickly and efficiently settling disputes.

An erstwhile member of key international agreements on international property rights, Tajikistan affords little real protections for patents, copyrights, trademarks and other intellectual property. However, with United States government assistance, the drafting of Part III of the Civil Code that addresses intellectual property rights has been completed. In addition, Tajikistan has taken significant steps over the past year to protect intellectual property, including: an amendment to the Law on Intellectual Property to protect copyright owners from Internet theft; a new office dealing with intellectual property violations in the Ministry of Interior; and a November parliamentary agreement to join the Rome Convention for the protection of intellectual property.

Transparency of the Regulatory System

Tajikistan does not yet use transparent policies or effective laws to foster competition; cronyism, nepotism and corruption all work to create a business environment that favors those with connections to the government. Tajikistan's regulatory system

lacks transparency and poses a serious impediment to businesses' operational abilities. Regulators and officials often apply laws arbitrarily, and are frequently unable or unwilling to make decisions without a supervisor's permission, leading to lengthy delays. Transparent executive documents are frequently inaccessible, leaving businesses and investors in the dark as to the rules of a particular game.

Tajikistan's tax code offers a sound legal basis for the tax system; however, it is undermined by inconsistent application that impedes development of small and medium enterprises. The tax code came into effect January 2005, and is compliant with World Trade Organization standards.

Tajikistan is also working towards international accounting norms; however, these have yet to be implemented.

A new inspections law signed in 2006 could significantly reduce the hassles associated with government agencies patting down enterprises for money, if implemented properly.

Structural problems aside, the Tajik government needs to convey its goals and procedures to the inspectors and other government employees who interact with businesses daily. Bureaucratic hassles are common, and as long as Tajikstandart, the agency responsible for licenses and certificates, refuses to publish requirements for specific enterprises and prices for required documents, businesses will find it challenging to adequately cost such fees, and the mysteriousness of the requirements may leave businesses vulnerable to investigations of alleged violations.

Efficient Capital Markets and Portfolio Investment

Tajikistan's nascent banking sector faces numerous challenges: insufficient capital, limited banking services, mistrust as a

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result of banking system crisis in early 1990's. The banking structure in Tajikistan is two-tiered - National Bank of Tajikistan performs central bank functions, and commercial banks represent the second level. The national currency, the somoni, was introduced in 1995.

Total value of regulatory capital of all commercial banks in Tajikistan is approximately \$90 million. Estimated net worth of top five commercial banks is below:

Orion Bank	58,8 million Somoni (\$17.1 million)
AgroInvestBank	52.4 million Somoni (\$15.2 million)
TajikSodirot Bank	39,89 million Somoni (\$11.6 million)
Tajprom Bank	28.52 million Somoni (\$8.3 million)
Sohibor Bank	18.27 million Somoni (\$5.3 million)

Five banks are public and three banks are non-public joint stock companies. All banks, except for Amonat Bank (State Savings Bank) are privately owned.

The banking sector received a boost from a capital amnesty held in 2003. According to data from the National Bank of Tajikistan more than \$190 million (USD equivalent) was transferred to special tax-free accounts set up in several commercial banks in Tajikistan.

While over \$1 billion in foreign remittances flowed through the banking system in 2006, banks have difficulty luring consumers to deposit their funds into savings accounts that could be used for economic investment. Having lost all their savings in the Soviet Union to the Russia ruble conversion in 1993, few people trust banks and hence hold money in their homes. Intractable agricultural debts of up to \$300 million hurt the overall confidence in the banking sector. However, the increase in deposits over the past year reflects growing confidence in the banking system. Personal deposits continue to increase and totaled approximately \$250 million in October 2006, seven times greater than in 2003. Still, a large number of Tajik migrant workers use informal money transfer channels, including traveling with cash.

The National Bank has launched a campaign to encourage more Tajiks to open accounts, and although rising, the rate of

consumer savings accounts remains low. As a result, few investors secure business or personal loans through banks partly due to high interest rates, and capital remains tight. Local commercial banks issue 12-month loans worth more than \$100,000 at 24% annual percentage rate, prohibitively expensive for most local customers to develop a new business. Interest on smaller, shorter term loans reaches 36% annual percentage rate. Checking accounts do exist but are not widely used due to strict requirements on cash withdrawal procedures.

The private sector has access to micro-credit, commercial credit, and factoring instruments. Some banks provide trade financing services as well. In an effort to reduce barriers to competition, the Government of Tajikistan has paved the way for non-bank financial organizations and commercial microfinance. However, there is no credit bureau; and much work is needed in strengthening creditor and shareholder rights. Performance on micro-credit loans exceeds 90%; business loans also perform well.

The securities market in Tajikistan is under-developed; no regulatory system exists to encourage and to facilitate portfolio investment.

There are no known cross-shareholding or stable shareholder arrangements. Hostile takeovers are rare, although there are no written protections against foreign takeovers. State authorities use selective application of laws and regulations to take over or completely shut down companies.

The stock market in Tajikistan was founded in 1994. Since then, it has foundered due to a lack of new financial instruments. In 2000, the Government of Tajikistan established a Central Share Registry within the Ministry of Finance of Tajikistan. The Registry records, monitors, and facilitates share purchase and

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sale for more than 400 stock companies. The government issues treasury bills to cover budget deficits, using local banks to cover the loans.

Political Violence

Political violence in Tajikistan is minimal. The Civil War ended in 1997 and since then, the situation has stabilized considerably. All factions signed a peace agreement and the government incorporated members of the opposition into a multi-party system. The Tajik government is anxious to attract foreign investment and has worked to minimize the impact of political discord on foreign investors. President Rahmonov has taken measures to consolidate his power base and eliminate potential threats. With the civil war in recent memory, the people of Tajikistan are keen on maintaining peace and there have been no reported incidents of significant political violence in 2005. The November 2006 Presidential Election took place with no political violence or public demonstrations.

Tajikistan sometimes serves as a transit country for extremist terrorist groups. Many terrorists use Tajikistan's uncontrolled mountainous regions as a safe haven, but evidence suggests they are no longer politically active. Narcotics trafficking from Afghanistan is also significant.

Corruption

As in previous years, the 2006 Transparency International Corruption Perceptions Index ranked Tajikistan as the 15th most corrupt nation out of 163 surveyed. Anemic anti-corruption efforts from the Tajik government and the United Nations have proven ineffective. Extremely low official salaries have forced many Tajiks to look for other means of making ends meet. Buying a job position is a norm, and people frequently bribe superiors for promotions. Cultural expectations play a role as well: people are expected to share their good fortune with superiors and extended family, and nepotism or other favors for clan-members, extended family or superiors are commonplace. Endemic corruption stifles business by local and international investors. Officials at any number of agencies expect payoffs

for opening and running a business. Although a signatory to the Organization for Economic Cooperation and Development Convention on Combating Bribery, and to the United Nations Convention against Corruption, corrupt practices are deeply embedded in every aspect of commercial dealings and calculating the actual cost is difficult. A new and untested Agency to Fight Corruption and Economic Crimes, reporting directly to the Presidential Administration, will monitor fiscal activity of individuals, banks and corporations.

Bilateral Investment Agreements and Double Tax Treaties

Agreements on avoiding double taxation exist between Tajikistan and Russia, Belarus, Ukraine and Turkey, but not between Tajikistan and the United States. There is an agreement between Tajikistan and the Netherlands on the "encouragement and mutual protection of investments." Tajikistan is a member of the Eurasec trade organization, which provides loose regulation of trade among Central Asian states minus Turkmenistan, Russia, and Belarus.

Overseas Private Investment Corporation and Other Investment Insurance Programs

Tajikistan is open to insurance and financing programs of the Overseas Private Investment Corporation. Thus far, Overseas Private Investment Corporation involvement in investments in Tajikistan has been limited to a beverage bottling project. Macroeconomic stability and a growing economy provides for a number of opportunities for OPIC insurance and financing. Tajikistan generally does not qualify for programs of the

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Export-Import Bank of the U.S. and are considered on a case-by-case basis. Opportunities exist in infrastructure projects, aircraft export financing and agricultural machinery, and food processing.

Labor

Due to a crumbling and corrupt education system, Tajikistan's labor force is becoming increasingly less educated and trained, and is ill-equipped to deal with Western standards of customer service and business. International businesses and non-governmental organizations lament the small pool of qualified office staff for their organizations. Corruption in secondary schools and universities means degrees do not reflect real professional training or competency. The overall quality and availability of education have sharply declined and the younger generation will be less skilled and educated. Although education is compulsory, many students must work in order to support their families. Youth unemployment exceeds 60% in some rural areas.

The official unemployment rate in Tajikistan is under approximately two percent, but the actual rate may be as high as 40% nationwide with some areas with up to 60% unemployment. Government statistics show that the average salary per month is \$27. Nearly 60% of the population lives below the poverty line.

Many well-educated Tajiks have sought employment abroad because of greater job availability and higher wages. Estimates of the number of labor migrants working outside Tajikistan (mainly in Russia) at any given time range from five hundred thousand to as high as one million. Labor emigration leads to shortages in the workforce in parts of the country. Migrant remittances account for 30-50 percent of Tajikistan's Gross Domestic Product. Tajikistan's high birth rate means that 50% of the population is less than 25 years old and if the trend continues, unemployment will increase.

Nepotism and corruption play a large role in the labor market. Many of the higher prestige or more lucrative jobs require a "buy-in," leading to bribes to pay back the buy-in loan and continue to pay off supervisors and higher-ups.

The labor market favors employers. Although technically, the majority of workers are unionized, most are not aware of their

rights and few unions have the willpower or know-how to effectively advocate for workers' rights. Tajikistan is a party to 44 international labor conventions. In June 2005, Tajikistan signed to the Worst Forms of Child Labor Convention, 1999 to eliminate child labor and protect children and young people. The International Labor Organization notes that Tajikistan has not submitted reports due on the application of ratified Conventions in accordance with its Constitution in the past four years.

Foreign Trade Zones/Free Ports

Tajikistan is a landlocked country whose neighbors demonstrate varying ability and interest in trade. Trade routes flow mainly through Uzbekistan, however, because of political reasons, Uzbekistan is not an ideal trading partner. For example, there are no regular flights between the Uzbek and Tajik capitals, despite ready markets. In some respects, however, the Tajiks have used this poor relationship as an excuse to avoid difficult but necessary improvements themselves.

Some experts have suggested that Tajikistan look to Kyrgyzstan as a model. While Kyrgyzstan's free trade agreement could be used as a model, Tajik-Kyrgyz trade is concentrated in the poorest oblast in Kyrgyzstan - not a motivating factor for the Tajiks. There continue to be untapped opportunities for cooperation and development. The government may be more willing to take the steps necessary to make Central Asia a more friendly trading ground.

A new opening along the Chinese border in Kulma, Murgab District will help facilitate increased trade with China. Transit times

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to the larger markets in Dushanbe remain long, however, and without upgrades in the transportation infrastructure, this new route will limit the potential from being realized. Several international financial institutions are planning projects to improve the road system, and China is funding and building a 360 km road from Dushanbe to the Uzbek border. The United States Government is constructing a \$30 million bridge linking Tajikistan and Afghanistan, connected to a new road financed by the Japanese, which will increase trade and help develop the economy in the south. There is strong interest with Tajikistan's neighbors to the south to cooperate on energy trade.

Although the Law on Free Trade Zones was enacted in 2004, the government has made no progress on implementation. The law is designed to attract foreign capital, investments, and technology, and to develop Tajikistan's economic potential by setting favorable conditions for foreign investors including lower taxes, lower land leasing rates, lower duties on imports and exports, and special visa rules. The government has yet to announce the locations, but it is likely these zones will be created in Sughd and Khatlon provinces, because of the geographical advantage for free flow of trade to Uzbekistan and Kyrgyzstan.

World Trade Organization accession negotiations were launched in 2004 after intensive preparatory work conducted by the Tajik government with the assistance from the U.S. Government and other donors. In March 2004, the first round of multilateral negotiations on the accession of Tajikistan and a number of bilateral market access negotiations were conducted at the World Trade Organization Headquarters in Geneva. The Tajik government remains committed to World Trade Organization accession and implementing the necessary reforms required as accession conditions. Progress was made in 2005 on the Legislative Action Plan and Goods and Services Offers Market Access Negotiations. Working Party meetings on market access negotiations continued into 2006, moving Tajikistan closer to its integration into the world trading system.

Foreign Direct Investment Statistics

According to data from the State Statistical Committee, total foreign direct investment (Foreign Direct Investment) in the first nine months of 2006 was \$233.1 million. Of this, \$162

million originated in the former Soviet states, mostly Russia, while \$70.1 million came from outside countries. In 2005, total Foreign Direct Investment was \$54.5 million. Between 1997 and 2006, total Foreign Direct Investment equaled \$497.3 million. In the first six months of 2006, the Foreign Direct Investment to Gross Domestic Product ratio equals 12.0. In 2005, the Foreign Direct Investment to Gross Domestic Product ratio was 2.4.

The largest foreign direct investors for the first nine months in 2006 of are:

Russia - \$160.6 million
Cyprus - \$24.0 million
United States - \$18.6 million
Great Britain - \$15.7 million

The top companies included in these investments (first nine months of 2006) are:

Open Joint Stock Co. Sangtuda HPS 1 of Russia (Energy): \$160.2 million
Sozidanie Ltd. of Cyprus (Construction): \$20.4 million
Joint Venture Takom of USA (Telecom): \$9.7 million
Joint Venture Zaravshan of Great Britain (Mining): \$8.3 million
Combined Joint Stock Co. Indigo of USA (Telecom): \$4.6 million
Closed Joint Stock Co. Guliston of Great Britain (Textiles): \$3.9 million
Closed Joint Stock Co. Babilon Mobile of USA (Telecom): \$3.8

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million

Joint Venture Pakrut of Great Britain (Mining): \$2.9 million

Foreign Direct Investment by Sector (January - September 2006):

Energy: \$162.1 million
Industry: \$21.0 million
Other: \$20.5 million
Trade: \$10.0 million
Communication: \$8.3 million
Services: \$5.3 million
Construction: \$4.2 million
Agriculture: \$1.5 million
Health: \$0.1 million

Several major foreign direct investors from Cyprus and United States are Tajik-held companies registered offshore. Major Russian investment in the Sangtuda I dam project should continue into 2007, in addition to expected Iranian investment in Sangtuda II.

Statements above reflect fully materialized projects. Data on contracts for foreign-investment projects are not included in statements above. Tajikistan has not made any direct investments abroad.

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